

SCHEDULES

SCHEDULE 4

Section 228, 230.

FORM AND CONTENT OF COMPANY ACCOUNTS

PART I

GENERAL RULES AND FORMATS

Section A

General Rules

- 1 (1) Subject to the following provisions of this Schedule—
 - (a) every balance sheet of a company shall show the items listed in either of the balance sheet formats set out below in section B of this Part; and
 - (b) every profit and loss account of a company shall show the items listed in any one of the profit and loss account formats so set out;in either case in the order and under the headings and sub-headings given in the format adopted.
- (2) Sub-paragraph (1) above is not to be read as requiring the heading or sub-heading for any item to be distinguished by any letter or number assigned to that item in the format adopted.
- 2 (1) Where in accordance with paragraph 1 a company's balance sheet or profit and loss account for any financial year has been prepared by reference to one of the formats set out in section B below, the directors of the company shall adopt the same format in preparing the accounts for subsequent financial years of the company unless in their opinion there are special reasons for a change.
- (2) Particulars of any change in the format adopted in preparing a company's balance sheet or profit and loss account in accordance with paragraph 1 shall be disclosed, and the reasons for the change shall be explained, in a note to the accounts in which the new format is first adopted.
- 3 (1) Any item required in accordance with paragraph 1 to be shown in a company's balance sheet or profit and loss account may be shown in greater detail than required by the format adopted.
- (2) A company's balance sheet or profit and loss account may include an item representing or covering the amount of any asset or liability, income or expenditure not otherwise covered by any of the items listed in the format adopted, but the following shall not be treated as assets in any company's balance sheet—
 - (a) preliminary expenses;
 - (b) expenses of and commission on any issue of shares or debentures ; and
 - (c) costs of research.

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- (3) In preparing a company's balance sheet or profit and loss account the directors of the company shall adapt the arrangement and headings and sub-headings otherwise required by paragraph 1 in respect of items to which an Arabic number is assigned in the format adopted, in any case where the special nature of the company's business requires such adaptation.
- (4) Items to which Arabic numbers are assigned in any of the formats set out in section B below may be combined in a company's accounts for any financial year if either—
- (a) their individual amounts are not material to assessing the state of affairs or profit or loss of the company for that year; or
 - (b) the combination facilitates that assessment;
- but in a case within paragraph (b) the individual amounts of any items so combined shall be disclosed in a note to the accounts.
- (5) Subject to paragraph 4(3) below, a heading or sub-heading corresponding to an item listed in the format adopted in preparing a company's balance sheet or profit and loss account shall not be included if there is no amount to be shown for that item in respect of the financial year to which the balance sheet or profit and loss account relates.
- (6) Every profit and loss account of a company shall show the amount of the company's profit or loss on ordinary activities before taxation.
- (7) Every profit and loss account of a company shall show separately as additional items—
- (a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves; and
 - (b) the aggregate amount of any dividends paid and proposed.
- 4 (1) In respect of every time shown in a company's balance sheet or profit and loss account the corresponding amount for the financial year immediately preceding that to which the balance sheet or profit and loss account relates shall also be shown.
- (2) Where that corresponding amount is not comparable with the amount to be shown for the item in question in respect of the financial year to which the balance sheet or profit and loss account relates, the former amount shall be adjusted and particulars of the adjustment and the reasons for it shall be disclosed in a note to the accounts.
- (3) Paragraph 3(5) does not apply in any case where an amount can be shown for the item in question in respect of the financial year immediately preceding that to which the balance sheet or profit and loss account relates, and that amount shall be shown under the heading or sub-heading required by paragraph 1 for that item.
- 5 Amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing liabilities or expenditure (as the case may be), or vice versa.

Section B

The Required Formats for Accounts Preliminary

- 6 References in this Part of this Schedule to the items listed in any of the formats set out below are to those items read together with any of the notes following the formats which apply to any of those items, and the requirement imposed by paragraph 1 to show the items listed in any such format in the order adopted in the

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format is subject to any provision in those notes for alternative positions for any particular items.

7 A number in brackets following any item in any of the formats set out below is a reference to the note of that number in the notes following the formats.

8 In the notes following the formats—

- (a) the heading of each note gives the required heading or subheading for the item to which it applies and a reference to any letters and numbers assigned to that item in the formats set out below (taking a reference in the case of Format 2 of the balance sheet formats to the item listed under " Assets " or under " Liabilities " as the case may require) ; and
- (b) references to a numbered format are to the balance sheet format or (as the case may require) to the profit and loss account format of that number set out below.

Balance Sheet Formats

Format 1

A. Called up share capital not paid (1)

B. Fixed assets

I Intangible assets

1. Development costs
2. Concessions, patents, licences, trade marks and similar rights and assets (2)
3. Goodwill (3)
4. Payments on account

II Tangible assets

1. Land and buildings
2. Plant and machinery
3. Fixtures, fittings, tools and equipment
4. Payments on account and assets in course of construction

III Investments

1. Shares in group companies
2. Loans to group companies
3. Shares in related companies
4. Loans to related companies
5. Other investments other than loans
6. Other loans
7. Own shares (4)

C. Current assets

I Stocks

1. Raw materials and consumables
2. Work in progress
3. Finished goods and goods for resale
4. Payments on account

II Debtors (5)

1. Trade debtors
2. Amounts owed by group companies
3. Amounts owed by related companies
4. Other debtors

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5. Called up share capital not paid (1)
 6. Prepayments and accrued income (6)
- III Investments
1. Shares in group companies
 2. Own shares (4)
 3. Other investments
- IV Cash at bank and in hand
- D. Prepayments and accrued income (6).
- E. Creditors: amounts falling due within one year
1. Debenture loans (7)
 2. Bank loans and overdrafts
 3. Payments received on account (8)
 4. Trade creditors
 5. Bills of exchange payable
 6. Amounts owed to group companies
 7. Amounts owed to related companies
 8. Other creditors including taxation and social security (9)
 9. Accruals and deferred income (10)
- F. Net current assets (liabilities) (11)
- G. Total assets less current liabilities
- H. Creditors: amounts falling due after more than one year
1. Debenture loans (7)
 2. Bank loans and overdrafts
 3. Payments received on account (8)
 4. Trade creditors
 5. Bills of exchange payable
 6. Amounts owed to group companies
 7. Amounts owed to related companies
 8. Other creditors including taxation and social security (9)
 9. Accruals and deferred income (10)
- I. Provisions for liabilities and charges
1. Pensions and similar obligations
 2. Taxation, including deferred taxation
 3. Other provisions
- J. Accruals and deferred income (10)
- K. Capital and reserves
- I Called up share capital (12)
 - II Share premium account
 - III Revaluation reserve
 - IV Other reserves
 1. Capital redemption reserve
 2. Reserve for own shares
 3. Reserves provided for by the articles of association
 4. Other reserves - V Profit and loss account

Balance Sheet Formats Format 2

ASSETS

- A. Called up share capital not paid (1)
 - B. Fixed assets
 - I Intangible assets
 - 1. Development costs
 - 2. Concessions, patents, licences, trade marks and similar rights and assets (2)
 - 3. Goodwill (3)
 - 4. Payments on account
 - II Tangible assets
 - 1. Land and buildings
 - 2. Plant and machinery
 - 3. Fixtures, fittings, tools and equipment
 - 4. Payments on account and assets in course of construction
 - III Investments
 - 1. Shares in group companies
 - 2. Loans to group companies
 - 3. Shares in related companies
 - 4. Loans to related companies
 - 5. Other investments other than loans
 - 6. Other loans
 - 7. Own shares (4)
 - C. Current assets
 - I Stocks
 - 1. Raw materials and consumables
 - 2. Work in progress
 - 3. Finished goods and goods for resale
 - 4. Payments on account
 - II Debtors (5)
 - 1. Trade debtors
 - 2. Amounts owed by group companies
 - 3. Amounts owed by related companies
 - 4. Other debtors
 - 5. Called up share capital not paid (1)
 - 6. Prepayments and accrued income (6)
 - III Investments
 - 1. Shares in group companies
 - 2. Own shares (4)
 - 3. Other investments
 - IV Cash at bank and in hand
 - D. Prepayments and accrued income (6)
- ### LIABILITIES
- A. Capital and reserves
 - I Called up share capital (12)

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- II Share premium account
- III Revaluation reserve
- IV Other reserves
 - 1. Capital redemption reserve
 - 2. Reserve for own shares
 - 3. Reserves provided for by the articles of association
 - 4. Other reserves
- V Profit and loss account
- B. Provisions for liabilities and charges
 - 1. Pensions and similar obligations
 - 2. Taxation including deferred taxation
 - 3. Other provisions
- C. Creditors (13)
 - 1. Debenture loans (7)
 - 2. Bank loans and overdrafts
 - 3. Payments received on account (8)
 - 4. Trade creditors
 - 5. Bills of exchange payable
 - 6. Amounts owed to group companies
 - 7. Amounts owed to related companies
 - 8. Other creditors including taxation and social security (9)
 - 9. Accruals and deferred income (10)
- D. Accruals and deferred income (10)

Notes on the balance sheet formats

- (1) *Called up share capital not paid*
(Formats 1 and 2, items A and C.II.5.)
This item may be shown in either of the two positions given in Formats 1 and 2.
- (2) *Concessions, patents, licences, trade marks and similar rights and assets*
(Formats 1 and 2, item B.I.2.)
Amounts in respect of assets shall only be included in a company's balance sheet under this item if either—
 - (a) the assets were acquired for valuable consideration and are not required to be shown under goodwill; or
 - (b) the assets in question were created by the company itself.
- (3) *Goodwill*
(Formats 1 and 2, item B.I.3.)
Amounts representing goodwill shall only be included to the extent that the goodwill was acquired for valuable consideration.
- (4) *Own shares*
(Formats 1 and 2, items B.III.7 and C.III.2.)
The nominal value of the shares held shall be shown separately.
- (5) *Debtors*
(Formats 1 and 2, items C.II.1 to 6.)
The amount falling due after more than one year shall be shown separately for each item included under debtors.
- (6) *Prepayments and accrued income*

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(Formats 1 and 2, items C.II.6 and D.)

This item may be shown in either of the two positions given in Formats 1 and 2.

(7) *(7) Debenture loans*

(Format 1, items E.1 and H.1 and Format 2, item C.1.)

The amount of any convertible loans shall be shown separately.

(8) *Payments received on account*

(Format 1, items E.3 and H.3 and Format 2, item C.3.)

Payments received on account of orders shall be shown for each of these items in so far as they are not shown as deductions from stocks.

(9) *Other creditors including taxation and social security*

(Format 1, items E.8 and H.8 and Format 2, item C.8.)

The amount for creditors in respect of taxation and social security shall be shown separately from the amount for other creditors.

(10) *Accruals and deferred income*

(Format 1, items E.9, H.9 and J and Format 2, items C.9 and D.)

The two positions given for this item in Format 1 at E.9 and H.9 are an alternative to the position at J, but if the item is not shown in a position corresponding to that at J it may be shown in either or both of the other two positions (as the case may require).

The two positions given for this item in Format 2 are alternatives.

(11) *Net current assets (liabilities)*

(Format 1, item F.)

In determining the amount to be shown for this item any amounts shown under "prepayments and accrued income" shall be taken into account wherever shown.

(12) *Called up share capital*

(Format 1, item K.I and Format 2, item A.I.)

The amount of allotted share capital and the amount of called up share capital which has been paid up shall be shown separately.

(13) *Creditors*

(Format 2, items C.1 to 9.)

Amounts falling due within one year and after one year shall be shown separately for each of these items and their aggregate shall be shown separately for all of these items.

Profit and loss account formats Format 1

(see note (17) below)

1. Turnover
2. Cost of sales (14)
3. Gross profit or loss
4. Distribution costs (14)
5. Administrative expenses (14)
6. Other operating income
7. Income from shares in group companies
8. Income from shares in related companies
9. Income from other fixed asset investments (15)
10. Other interest receivable and similar income (15)
11. Amounts written off investments

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12. Interest payable and similar charges (16)
 13. Tax on profit or loss on ordinary activities
 14. Profit or loss on ordinary activities after taxation
 15. Extraordinary income
 16. Extraordinary charges
 17. Extraordinary profit or loss
 18. Tax on extraordinary profit or loss
 19. Other taxes not shown under the above items
 20. Profit or loss for the financial year
- Profit and loss account formatsFormat 2
1. Turnover
 2. Change in stocks of finished goods and in work in progress
 3. Own work capitalised
 4. Other operating income
 5.
 - (a) Raw materials and consumables
 - (b) Other external charges
 6. Staff costs:
 - (a) wages and salaries
 - (b) social security costs
 - (c) other pension costs
 7.
 - (a) Depreciation and other amounts written off tangible and intangible fixed assets
 - (b) Exceptional amounts written off current assets
 8. Other operating charges
 9. Income from shares in group companies
 10. Income from shares in related companies
 11. Income from other fixed asset investments (15)
 12. Other interest receivable and similar income (15)
 13. Amounts written off investments
 14. Interest payable and similar charges (16)
 15. Tax on profit or loss on ordinary activities
 16. Profit or loss on ordinary activities after taxation
 17. Extraordinary income
 18. Extraordinary charges
 19. Extraordinary profit or loss
 20. Tax on extraordinary profit or loss
 21. Other taxes not shown under the above items
 22. Profit or loss for the financial year
- Profit and loss account formatsFormat 3

(see note (17) below)

A. Charges

1. Cost of sales (14)
2. Distribution costs (14)
3. Administrative expenses (14)
4. Amounts written off investments
5. Interest payable and similar charges (16)

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6. Tax on profit or loss on ordinary activities
7. Profit or loss on ordinary activities after taxation
8. Extraordinary charges
9. Tax on extraordinary profit or loss
10. Other taxes not shown under the above items
11. Profit or loss for the financial year

B. Income

1. Turnover
2. Other operating income
3. Income from shares in group companies
4. Income from shares in related companies
5. Income from other fixed asset investments (15)
6. Other interest receivable and similar income (15)
7. Profit or loss on ordinary activities after taxation
8. Extraordinary income
9. Profit or loss for the financial year

Profit and loss account formats Format 4

A. Charges

1. Reduction in stocks of finished goods and in work in progress
2.
 - (a) Raw materials and consumables
 - (b) Other external charges
3. Staff costs:
 - (a) wages and salaries
 - (b) social security costs
 - (c) other pension costs
4.
 - (a) Depreciation and other amounts written off tangible and intangible fixed assets
 - (b) Exceptional amounts written off current assets
5. Other operating charges
6. Amounts written off investments
7. Interest payable and similar charges (16)
8. Tax on profit or loss on ordinary activities
9. Profit or loss on ordinary activities after taxation
10. Extraordinary charges
11. Tax on extraordinary profit or loss
12. Other taxes not shown under the above items
13. Profit or loss for the financial year

B. Income

1. Turnover
2. Increase in stocks of finished goods and in work in progress
3. Own work capitalised
4. Other operating income
5. Income from shares in group companies
6. Income from shares in related companies
7. Income from other fixed asset investments (15)

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- 8. Other interest receivable and similar income (15)
- 9. Profit or loss on ordinary activities after taxation
- 10. Extraordinary income
- 11. Profit or loss for the financial year

Notes on the profit and loss account formats

- (14) *Cost of sales: distribution costs: administrative expenses*

(Format 1, items 2, 4 and 5 and Format 3, items A.1, 2 and 3.)

These items shall be stated after taking into account any necessary provisions for depreciation or diminution in value of assets.

- (15) *Income from other fixed asset investments: other interest receivable and similar income*

(Format 1, items 9 and 10: Format 2, items 11 and 12: Format 3, items B.5 and 6: Format 4, items B.7 and 8.)

Income and interest derived from group companies shall be shown separately from income and interest derived from other sources.

- (16) *Interest payable and similar charges*

(Format 1, item 12: Format 2, item 14: Format 3, item A.5: Format 4, item A.7.)

The amount payable to group companies shall be shown separately.

- (17) *Formats 1 and 3*

The amount of any provisions for depreciation and diminution in value of tangible and intangible fixed assets falling to be shown under items 7(a) and A.4(a) respectively in Formats 2 and 4 shall be disclosed in a note to the accounts in any case where the profit and loss account is prepared by reference to Format 1 or Format 3.

PART II

ACCOUNTING PRINCIPLES AND RULES

Section A

Accounting Principles

Preliminary

- 9 Subject to paragraph 15 below, the amounts to be included in respect of all items shown in a company's accounts shall be determined in accordance with the principles set out in paragraphs 10 to 14.

Accounting principles

- 10 The company shall be presumed to be carrying on business as a going concern.
- 11 Accounting policies shall be applied consistently from one financial year to the next.
- 12 The amount of any item shall be determined on a prudent basis, and in particular—
- (a) only profits realised at the balance sheet date shall be included in the profit and loss account; and
 - (b) all liabilities and losses which have arisen or are likely to arise in respect of the financial year to which the accounts relate or a previous financial year shall be taken into account, including those which only become apparent between the balance sheet date and the date on which it is signed on behalf of the board of directors in pursuance of section 238 of this Act.

- 13 All income and charges relating to the financial year to which the accounts relate shall be taken into account, without regard to the date of receipt or payment
- 14 In determining the aggregate amount of any item the amount of each individual asset or liability that falls to be taken into account shall be determined separately.
- Departure from the accounting principles
- 15 If it appears to the directors of a company that there are special reasons for departing from any of the principles stated above in preparing the company's accounts in respect of any financial year they may do so, but particulars of the departure, the reasons for it and its effect shall be given in a note to the accounts.

Section B

Historical Cost Accounting Rules

Preliminary

- 16 Subject to section C of this Part of this Schedule, the amounts to be included in respect of all items shown in a company's accounts shall be determined in accordance with the rules set out in paragraphs 17 to 28.

Fixed assets

General rules

- 17 Subject to any provision for depreciation or diminution in value made in accordance with paragraph 18 or 19 the amount to be included in respect of any fixed asset shall be its purchase price or production cost
- 18 In the case of any fixed asset which has a limited useful economic life, the amount of—
- (a) its purchase price or production cost; or
 - (b) where it is estimated that any such asset will have a residual value at the end of the period of its useful economic life, its purchase price or production cost less that estimated residual value;
- shall be reduced by provisions for depreciation calculated to write off that amount systematically over the period of the asset's useful economic life.
- 19 (1) Where a fixed asset investment of a description falling to be included under item B.III of either of the balance sheet formats set out in Part I of this Schedule has diminished in value provisions for diminution in value may be made in respect of it and the amount to be included in respect of it may be reduced accordingly; and any such provisions which are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.
- (2) Provisions for diminution in value shall be made in respect of any fixed asset which has diminished in value if the reduction in its value is expected to be permanent (whether its useful economic life is limited or not), and the amount to be included in respect of it shall be reduced accordingly ; and any such provisions which are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.
- (3) Where the reasons for which any provision was made in accordance with subparagraph (1) or (2) have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary ; and any amounts written back

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in accordance with this sub-paragraph which are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.

Rules for determining particular fixed asset items

- 20 (1) Notwithstanding that an item in respect of " development costs " is included under " fixed assets" in the balance sheet formats set out in Part I of this Schedule, an amount may only be included in a company's balance sheet in respect of development costs in special circumstances.
- (2) If any amount is included in a company's balance sheet in respect of development costs the following information shall be given in a note to the accounts—
- (a) the period over which the amount of those costs originally capitalised is being or is to be written off; and
 - (b) the reasons for capitalising the development costs in question.
- 21 (1) The application of paragraphs 17 to 19 in relation to goodwill (in any case where goodwill is treated as an asset) is subject to the following provisions of this paragraph.
- (2) Subject to sub-paragraph (3) below, the amount of the consideration for any goodwill acquired by a company shall be reduced by provisions for depreciation calculated to write off that amount systematically over a period chosen by the directors of the company.
- (3) The period chosen shall not exceed the useful economic life of the goodwill in question.
- (4) In any case where any goodwill acquired by a company is shown or included as an asset in the company's balance sheet the period chosen for writing off the consideration for that goodwill and the reasons for choosing that period shall be disclosed in a note to the accounts.

Current assets

- 22 Subject to paragraph 23, the amount to be included in respect of any current asset shall be its purchase price or production cost
- 23 (1) If the net realisable value of any current asset is lower than its purchase price or production cost the amount to be included in respect of that asset shall be the net realisable value.
- (2) Where the reasons for which any provision for diminution in value was made in accordance with sub-paragraph (1) have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary.

Miscellaneous and supplementary provisions

Excess of money owed over value received as an asset item

- 24 (1) Where the amount repayable on any debt owed by a company is greater than the value of the consideration received in the transaction giving rise to the debt, the amount of the difference may be treated as an asset.
- (2) Where any such amount is so treated—
- (a) it shall be written off by reasonable amounts each year and must be completely written off before repayment of the debt; and
 - (b) if the current amount is not shown as a separate item in the company's balance sheet it must be disclosed in a note to the accounts.

Assets included at a fixed amount

- 25 (1) Subject to the following sub-paragraph, assets which fall to be included—
- (a) amongst the fixed assets of a company under the item " tangible assets " ; or
 - (b) amongst the current assets of a company under the item " raw materials and consumables " ;
- may be included at a fixed quantity and value.
- (2) Sub-paragraph (1) applies to assets of a kind which are constantly being replaced, where—
- (a) their overall value is not material to assessing the company's state of affairs ; and
 - (b) their quantity, value and composition are not subject to material variation.

Determination of purchase price or production cost

- 26 (1) The purchase price of an asset shall be determined by adding to the actual price paid any expenses incidental to its acquisition.
- (2) The production cost of an asset shall be determined by adding to the purchase price of the raw materials and consumables used the amount of the costs incurred by the company which are directly attributable to the production of that asset
- (3) In addition, there may be included in the production cost of an asset—
- (a) a reasonable proportion of the costs incurred by the company which are only indirectly attributable to the production of that asset, but only to the extent that they relate to the period of production ; and
 - (b) interest on capital borrowed to finance the production of that asset, to the extent that it accrues in respect of the period of production ;
- provided, however, in a case within paragraph (b) above, that the inclusion of the interest in determining the cost of that asset and the amount of the interest so included is disclosed in a note to the accounts.
- (4) In the case of current assets distribution costs may not be included in production costs.
- 27 (1) Subject to the qualification mentioned below, the purchase price or production cost of—
- (a) any assets which fall to be included under any item shown in a company's balance sheet under the general item " stocks " ; and
 - (b) any assets which are fungible assets (including investments);
- may be determined by the application of any of the methods mentioned in sub-paragraph (2) below in relation to any such assets of the same class.
- The method chosen must be one which appears to the directors to be appropriate in the circumstances of the company.
- (2) Those methods are—
- (a) the method known as " first in, first out" (FIFO);
 - (b) the method known as " last in, first out " (LIFO);
 - (c) a weighted average price ; and
 - (d) any other method similar to any of the methods mentioned above.

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- (3) Where in the case of any company—
- (a) the purchase price or production cost of assets falling to be included under any item shown in the company's balance sheet has been determined by the application of any method permitted by this paragraph ; and
 - (b) the amount shown in respect of that item differs materially from the relevant alternative amount given below in this paragraph ;
- the amount of that difference shall be disclosed in a note to the accounts.
- (4) Subject to sub-paragraph (5) below, for the purposes of sub-paragraph (3)(b) above, the relevant alternative amount, in relation to any item shown in a company's balance sheet, is the amount which would have been shown in respect of that item if assets of any class included under that item at an amount determined by any method permitted by this paragraph had instead been included at their replacement cost as at the balance sheet date.
- (5) The relevant alternative amount may be determined by reference to the most recent actual purchase price or production cost before the balance sheet date of assets of any class included under the item in question instead of by reference to their replacement cost as at that date, but only if the former appears to the directors of the company to constitute the more appropriate standard of comparison in the case of assets of that class.
- (6) For the purposes of this paragraph, assets of any description shall be regarded as fungible if assets of that description are substantially indistinguishable one from another.

Substitution of original stated amount where price or cost unknown

- 28 Where there is no record of the purchase price or production cost of any asset of a company or of any price, expenses or costs relevant for determining its purchase price or production cost in accordance with paragraph 26, or any such record cannot be obtained without unreasonable expense or delay, its purchase price or production cost shall be taken for the purposes of paragraphs 17 to 23 to be the value ascribed to it in the earliest available record of its value made on or after its acquisition or production by the company.

Section C

Alternative Accounting Rules

Preliminary

- 29 (1) The rules set out in section B are referred to below in this Schedule as the historical cost accounting rules.
- (2) Those rules, with the omission of paragraphs 16, 21 and 25 to 28, are referred to below in this Part of this Schedule as the depreciation rules; and references below in this Schedule to the historical cost accounting rules do not include the depreciation rules as they apply by virtue of paragraph 32.
- 30 Subject to paragraphs 32 to 34, the amounts to be included in respect of assets of any description mentioned in paragraph 31 may be determined on any basis so mentioned.

Alternative accounting rules

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- 31 (1) Intangible fixed assets, other than goodwill, may be included at their current cost
- (2) Tangible fixed assets may be included at a market value determined as at the date of their last valuation or at their current cost.
- (3) Investments of any description falling to be included under item B.III of either of the balance sheet formats set out in Part I of this Schedule may be included either—
- (a) at a market value determined as at the date of their last valuation ; or
 - (b) at a value determined on any basis which appears to the directors to be appropriate in the circumstances of the company;
- but in the latter case particulars of the method of valuation adopted and of the reasons for adopting it shall be disclosed in a note to the accounts.
- (4) Investments of any description falling to be included under item C.III of either of the balance sheet formats set out in Part 1 of this Schedule may be included at their current cost.
- (5) Stocks may be included at their current cost.

Application of the depreciation rules

- 32 (1) Where the value of any asset of a company is determined on any basis mentioned in paragraph 31, that value shall be, or (as the case may require) be the starting point for determining, the amount to be included in respect of that asset in the company's accounts, instead of its purchase price or production cost or any value previously so determined for that asset; and the depreciation rules shall apply accordingly in relation to any such asset with the substitution for any reference to its purchase price or production cost of a reference to the value most recently determined for that asset on any basis mentioned in paragraph 31.
- (2) The amount of any provision for depreciation required in the case of any fixed asset by paragraph 18 or 19 as it applies by virtue of sub-paragraph (1) is referred to below in this paragraph as the adjusted amount, and the amount of any provision which would be required by that paragraph in the case of that asset according to the historical cost accounting rules is referred to as the historical cost amount.
- (3) Where sub-paragraph (1) applies in the case of any fixed asset the amount of any provision for depreciation in respect of that asset—
- (a) included in any item shown in the profit and loss account in respect of amounts written off assets of the description in question; or
 - (b) taken into account in stating any item so shown which is required by note (14) of the notes on the profit and loss account formats set out in Part I of this Schedule to be stated after taking into account any necessary provisions for depreciation or diminution in value of assets included under it;
- may be the historical cost amount instead of the adjusted amount, provided that the amount of any difference between the two is shown separately in the profit and loss account or in a note to the accounts.

Additional information to be provided in case of departure from historical cost accounting rules

- 33 (1) This paragraph applies where the amounts to be included in respect of assets covered by any items shown in a company's accounts have been determined on any basis mentioned in paragraph 31.
- (2) The items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item shall be disclosed in a note to the accounts.

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- (3) In the case of each balance sheet item affected (except stocks) either—
- (a) the comparable amounts determined according to the historical cost accounting rules; or
 - (b) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item;
- shall be shown separately in the balance sheet or in a note to the accounts.
- (4) In sub-paragraph (3) above, references in relation to any item to the comparable amounts determined as there mentioned are references to—
- (a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules ; and
 - (b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.

Revaluation reserve

- 34 (1) With respect to any determination of the value of an asset of a company on any basis mentioned in paragraph 31, the amount of any profit or loss arising from that determination (after allowing, where appropriate, for any provisions for depreciation or diminution in value made otherwise than by reference to the value so determined and any adjustments of any such provisions made in the light of that determination) shall be credited or (as the case may be) debited to a separate reserve ("the revaluation reserve").
- (2) The amount of the revaluation reserve shall be shown in the company's balance sheet under a separate sub-heading in the position given for the item " revaluation reserve " in Format 1 or 2 of the balance sheet formats set out in Part I of this Schedule, but need not be shown under that name.
- (3) The revaluation reserve shall be reduced to the extent that the amounts standing to the credit of the reserve are in the opinion of the directors of the company no longer necessary for the purpose of the accounting policies adopted by the company; but an amount may only be transferred from the reserve to the profit and loss account if either—
- (a) the amount in question was previously charged to that account; or
 - (b) it represents realised profit.
- (4) The treatment for taxation purposes of amounts credited or debited to the revaluation reserve shall be disclosed in a note to the accounts.

PART III

NOTES TO THE ACCOUNTS

Preliminary

- 35 Any information required in the case of any company by the following provisions of this Part of this Schedule shall (if not given in the company's accounts) be given by way of a note to those accounts.

Disclosure of accounting policies

- 36 The accounting policies adopted by the company in determining the amounts to be included in respect of items shown in the balance sheet and in determining the

profit or loss of the company shall be stated (including such policies with respect to the depreciation and diminution in value of assets).

Information supplementing the balance sheet

- 37 Paragraphs 38 to 51 require information which either supplements the information given with respect to any particular items shown in the balance sheet or is otherwise relevant to assessing the company's state of affairs in the light of the information so given.

Share capital and debentures

- 38 (1) The following information shall be given with respect to the company's share capital—
- (a) the authorised share capital; and
 - (b) where shares of more than one class have been allotted, the number and aggregate nominal value of shares of each class allotted.
- (2) In the case of any part of the allotted share capital that consists of redeemable shares, the following information shall be given—
- (a) the earliest and latest dates on which the company has power to redeem those shares;
 - (b) whether those shares must be redeemed in any event or are liable to be redeemed at the option of the company or of the shareholder; and
 - (c) whether any (and, if so, what) premium is payable on redemption.
- 39 If the company has allotted any shares during the financial year, the following information shall be given—
- (a) the reason for making the allotment;
 - (b) the classes of shares allotted ; and
 - (c) as respects each class of shares, the number allotted, their aggregate nominal value, and the consideration received by the company for the allotment.
- 40 (1) With respect to any contingent right to the allotment of shares in the company the following particulars shall be given—
- (a) the number, description and amount of the shares in relation to which the right is exercisable ;
 - (b) the period during which it is exercisable ; and
 - (c) the price to be paid for the shares allotted.
- (2) In sub-paragraph (1) above "contingent right to the allotment of shares " means any option to subscribe for shares and any other right to require the allotment of shares to any person whether arising on the conversion into shares of securities of any other description or otherwise.
- 41 (1) If the company has issued any debentures during the financial year to which the accounts relate, the following information shall be given—
- (a) the reason for making the issue ;
 - (b) the classes of debentures issued ; and
 - (c) as respects each class of debentures, the amount issued and the consideration received by the company for the issue.

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- (2) Particulars of any redeemed debentures which the company has power to reissue shall also be given.
- (3) Where any of the company's debentures are held by a nominee of or trustee for the company, the nominal amount of the debentures and the amount at which they are stated in the accounting records kept by the company in accordance with section 221 of this Act shall be stated.

Fixed assets

- 42 (1) In respect of each item which is or would but for paragraph 3(4)(b) be shown under the general item " fixed assets" in the company's balance sheet the following information shall be given—
- (a) the appropriate amounts in respect of that item as at the date of the beginning of the financial year and as at the balance sheet date respectively ;
 - (b) the effect on any amount shown in the balance sheet in respect of that item of—
 - (i) any revision of the amount in respect of any assets included under that item made during that year on any basis mentioned in paragraph 31 ;
 - (ii) acquisitions during that year of any assets;
 - (iii) disposals during that year of any assets; and
 - (iv) any transfers of assets of the company to and from that item during that year.
- (2) The reference in sub-paragraph (1)(a) to the appropriate amounts in respect of any item as at any date there mentioned is a reference to amounts representing the aggregate amounts determined, as at that date, in respect of assets falling to be included under that item on either of the following bases, that is to say—
- (a) on the basis of purchase price or production cost (determined in accordance with paragraphs 26 and 27); or
 - (b) on any basis mentioned in paragraph 31,
- (leaving out of account in either case any provisions for depreciation or diminution in value).
- (3) In respect of each item within sub-paragraph (1)—
- (a) the cumulative amount of provisions for depreciation or diminution in value of assets included under that item as at each date mentioned in sub-paragraph (1)(a);
 - (b) the amount of any such provisions made in respect of the financial year;
 - (c) the amount of any adjustments made in respect of any such provisions during that year in consequence of the disposal of any assets; and
 - (d) the amount of any other adjustments made in respect of any such provisions during that year ;
- shall also be stated.
- 43 Where any fixed assets of the company (other than listed investments) are included under any item shown in the company's balance sheet at an amount determined on any basis mentioned in paragraph 31, the following information shall be given—
- (a) the years (so far as they are known to the directors) in which the assets were severally valued and the several values ; and

- (b) in the case of assets that have been valued during the financial year, the names of the persons who valued them or particulars of their qualifications for doing so and (whichever is stated) the bases of valuation used by them.
- 44 In relation to any amount which is or would but for paragraph 3(4)(b) be shown in respect of the item " land and buildings" in the company's balance sheet there shall be stated—
- (a) how much of that amount is ascribable to land of freehold tenure and how much to land of leasehold tenure; and
- (b) how much of the amount ascribable to land of leasehold tenure is ascribable to land held on long lease and how much to land held on short lease.

Investments

- 45 (1) In respect of the amount of each item which is or would but for paragraph 3(4)(b) be shown in the company's balance sheet under the general item " investments" (whether as fixed assets or as current assets) there shall be suited—
- (a) how much of that amount is ascribable to listed investments ; and
- (b) how much of any amount so ascribable is ascribable to investments as respects which there has been granted a listing on a recognised stock exchange and how much to other listed investments.
- (2) Where the amount of any listed investments is stated for any item in accordance with sub-paragraph (1)(a), the following amounts shall also be stated—
- (a) the aggregate market value of those investments where it differs from the amount so stated ; and
- (b) both the market value and the stock exchange value of any investments of which the former value is, for the purposes of the accounts, taken as being higher than the latter.

Reserves and provisions

- 46 (1) Where any amount is transferred—
- (a) to or from any reserves ; or
- (b) to any provisions for liabilities and charges; or
- (c) from any provision for liabilities and charges otherwise than for the purpose for which the provision was established ;
- and the reserves or provisions are or would but for paragraph 3(4)(b) be shown as separate items in the company's balance sheet,
- the information mentioned in the following sub-paragraph shall be given in respect of the aggregate of reserves or provisions included in the same item.
- (2) That information is—
- (a) the amount of the reserves or provisions as at the date of the beginning of the financial year and as at the balance sheet date respectively;
- (b) any amounts transferred to or from the reserves or provisions during that year ; and
- (c) the source and application respectively of any amounts so transferred.

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- (3) Particulars shall be given of each provision included in the item " other provisions " in the company's balance sheet in any case where the amount of that provision is material.

Provision for taxation

- 47 The amount of any provisions for taxation other than deferred taxation shall be stated.

Details of indebtedness

- 48 (1) In respect of each item shown under "creditors" in the company's balance sheet there shall be stated—

- (a) the aggregate amount of any debts included under that item which are payable or repayable otherwise than by instalments and fall due for payment or repayment after the end of the period of five years beginning with the day next following the end of the financial year; and
- (b) the aggregate amount of any debts so included which are payable or repayable by instalments any of which fall due for payment after the end of that period ;

and in the case of debts within paragraph (b) above the aggregate amount of instalments falling due after the end of that period shall also be disclosed for each such item.

- (2) Subject to sub-paragraph (3), in relation to each debt falling to be taken into account under sub-paragraph (1), the terms of payment or repayment and the rate of any interest payable on the debt shall be stated.

- (3) If the number of debts is such that, in the opinion of the directors, compliance with sub-paragraph (2) would result in a statement of excessive length, it shall be sufficient to give a general indication of the terms of payment or repayment and the rates of any interest payable on the debts.

- (4) In respect of each item shown under " creditors" in the company's balance sheet there shall be stated—

- (a) the aggregate amount of any debts included under that item in respect of which any security has been given by the company; and
- (b) an indication of the nature of the securities so given.

- (5) References above in this paragraph to an item shown under " creditors" in the company's balance sheet include references. where amounts falling due to creditors within one year and after more than one year are distinguished in the balance sheet—

- (a) in a case within sub-paragraph (1), to an item shown under the latter of those categories ; and
- (b) in a case within sub-paragraph (4), to an item shown under either of those categories;

and references to items shown under " creditors " include references to items which would but for paragraph 3(4)(b) be shown under that heading.

- 49 If any fixed cumulative dividends on the company's shares are in arrear, there shall be stated—

- (a) the amount of the arrears ; and

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- (b) the period for which the dividends or, if there is more than one class, each class of them are in arrear.

Guarantees and other financial commitments

- 50
- (1) Particulars shall be given of any charge on the assets of the company to secure the liabilities of any other person, including, where practicable, the amount secured.
 - (2) The following information shall be given with respect to any other contingent liability not provided for—
 - (a) the amount or estimated amount of that liability ;
 - (b) its legal nature ; and
 - (c) whether any valuable security has been provided by the company in connection with that liability and if so, what.
 - (3) There shall be stated, where practicable—
 - (a) the aggregate amount or estimated amount of contracts for capital expenditure, so far as not provided for; and
 - (b) the aggregate amount or estimated amount of capital expenditure authorised by the directors which has not been contracted for.
 - (4) Particulars shall be given of—
 - (a) any pension commitments included under any provision shown in the company's balance sheet; and
 - (b) any such commitments for which no provision has been made ;and where any such commitment relates wholly or partly to pensions payable to past directors of the company separate particulars shall be given of that commitment so far as it relates to such pensions.
 - (5) Particulars shall also be given of any other financial commitments which—
 - (a) have not been provided for ; and
 - (b) are relevant to assessing the company's state of affairs.
 - (6) Commitments within any of the preceding sub-paragraphs undertaken on behalf of or for the benefit of—
 - (a) any holding company or fellow subsidiary of the company; or
 - (b) any subsidiary of the company ;shall be stated separately from the other commitments within that sub-paragraph (and commitments within paragraph (a) shall also be stated separately from those within paragraph (b)).

Miscellaneous matters

- 51
- (1) Particulars shall be given of any case where the purchase price or production cost of any asset is for the first time determined under paragraph 28.
 - (2) Where any outstanding loans made under the authority of section 153(4)(b) or (c) or section 155 of this Act (various cases of financial assistance by a company for purchase of its own shares) are included under any item shown in the company's balance sheet, the aggregate amount of those loans shall be disclosed for each item in question.

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- (3) The aggregate amount which is recommended for distribution by way of dividend shall be stated.

Information supplementing the profit and loss account

- 52 Paragraphs 53 to 57 require information which either supplements the information given with respect to any particular items shown in the profit and loss account or otherwise provides particulars of income or expenditure of the company or of circumstances affecting the items shown in the profit and loss account.

Separate statement of certain items of income and expenditure

- 53 (1) Subject to the following provisions of this paragraph, each of the amounts mentioned below shall be stated.
- (2) The amount of the interest on or any similar charges in respect of—
- (a) bank loans and overdrafts, and loans made to the company (other than bank loans and overdrafts) which—
 - (i) are repayable otherwise than by instalments and fall due for repayment before the end of the period of five years beginning with the day next following the end of the financial year; or
 - (ii) are repayable by instalments the last of which falls due for payment before the end of that period ; and
 - (b) loans of any other kind made to the company.

This sub-paragraph does not apply to interest or charges on loans to the company from group companies, but, with that exception, it applies to interest or charges on all loans, whether made on the security of debentures or not.

- (3) The amounts respectively set aside for redemption of share capital and for redemption of loans.
- (4) The amount of income from listed investments.
- (5) The amount of rents from land (after deduction of ground rents, rates and other outgoings).
- This amount need only be stated if a substantial part of the company's revenue for the financial year consists of rents from land.
- (6) The amount charged to revenue in respect of sums payable in respect of the hire of plant and machinery.
- (7) The amount of the remuneration of the auditors (taking " remuneration ", for the purposes of this sub-paragraph, as including any sums paid by the company in respect of the auditors' expenses).

Particulars of tax

- 54 (1) The basis on which the charge for United Kingdom corporation tax and United Kingdom income tax is computed shall be stated.
- (2) Particulars shall be given of any special circumstances which affect liability in respect of taxation of profits, income or capital gains for the financial year or liability in respect of taxation of profits, income or capital gains for succeeding financial years.

- (3) The following amounts shall be stated—
- (a) the amount of the charge for United Kingdom corporation tax ;
 - (b) if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief;
 - (c) the amount of the charge for United Kingdom income tax ; and
 - (d) the amount of the charge for taxation imposed outside the United Kingdom of profits, income and (so far as charged to revenue) capital gains.

These amounts shall be stated separately in respect of each of the amounts which is or would but for paragraph 3(4)(b) be shown under the following items in the profit and loss account, that is to say " tax on profit or loss on ordinary activities" and " tax on extraordinary profit or loss ".

Particulars of turnover

- 55 (1) If in the course of the financial year the company has carried on business of two or more classes that, in the opinion of the directors, differ substantially from each other, there shall be stated in respect of each class (describing it)—
- (a) the amount of the turnover attributable to that class; and
 - (b) the amount of the profit or loss of the company before taxation which is in the opinion of the directors attributable to that class.
- (2) If in the course of the financial year the company has supplied markets that, in the opinion of the directors, differ substantially from each other, the amount of the turnover attributable to each such market shall also be stated.

In this paragraph " market" means a market delimited by geographical bounds.

- (3) In analysing for the purposes of this paragraph the source (in terms of business or in terms of market) of turnover or (as the case may be) of profit or loss, the directors of the company shall have regard to the manner in which the company's activities are organised.
- (4) For the purposes of this paragraph—
- (a) classes of business which, in the opinion of the directors, do not differ substantially from each other shall be treated as one class; and
 - (b) markets which, in the opinion of the directors, do not differ substantially from each other shall be treated as one market;
- and any amounts properly attributable to one class of business or (as the case may be) to one market which are not material may be included in the amount stated in respect of another.
- (5) Where in the opinion of the directors the disclosure of any information required by this paragraph would be seriously prejudicial to the interests of the company, that information need not be disclosed, but the fact that any such information has not been disclosed must be stated.

Particulars of staff

- 56 (1) The following information shall be given with respect to the employees of the company—

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- (a) the average number of persons employed by the company in the financial year ; and
 - (b) the average number of persons so employed within each category of persons employed by the company.
- (2) The average number required by sub-paragraph (1)(a) or (b) shall be determined by dividing the relevant annual number by the number of weeks in the financial year.
- (3) The relevant annual number shall be determined by ascertaining for each week in the financial year—
- (a) for the purposes of sub-paragraph (1)(a), the number of persons employed under contracts of service by the company in that week (whether throughout the week or not);
 - (b) for the purposes of sub-paragraph (1)(b), the number of persons in the category in question of persons so employed ;
- and, in either case, adding together all the weekly numbers.
- (4) In respect of all persons employed by the company during the financial year who are taken into account in determining the relevant annual number for the purposes of sub-paragraph (1)(a) there shall also be stated the aggregate amounts respectively of—
- (a) wages and salaries paid or payable in respect of that year to those persons ;
 - (b) social security costs incurred by the company on their behalf ; and
 - (c) other pension costs so incurred ;
- save in so far as those amounts or any of them are stated in the profit and loss account
- (5) The categories of persons employed by the company by reference to which the number required to be disclosed by sub-paragraph (1)(b) is to be determined shall be such as the directors may select, having regard to the manner in which the company's activities are organised.

Miscellaneous matters

- 57 (1) Where any amount relating to any preceding financial year is included in any item in the profit and loss account, the effect shall be stated.
- (2) Particulars shall be given of any extraordinary income or charges arising in the financial year.
- (3) The effect shall be stated of any transactions that are exceptional by virtue of size or incidence though they fall within the ordinary activities of the company.

General

- 58 (1) Where sums originally denominated in foreign currencies have been brought into account under any items shown in the balance sheet or profit and loss account, the basis on which those sums have been translated into sterling shall be stated.
- (2) Subject to the following sub-paragraph, in respect of every item stated in a note to the accounts the corresponding amount for the financial year immediately preceding that to which the accounts relate shall also be stated and where the corresponding amount is not comparable, it shall be adjusted and particulars of the adjustment and the reasons for it shall be given.
- (3) Sub-paragraph (2) does not apply in relation to any amounts stated by virtue of any of the following provisions of this Act—

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- (a) section 231 as applying Parts I and II of Schedule 5 (proportion of share capital of subsidiaries and other bodies corporate held by the company, etc.),
- (b) sections 232 to 234 and Schedule 6 (particulars of loans to directors, etc.), and
- (c) paragraphs 42 and 46 above.

PART IV

SPECIAL PROVISIONS WHERE THE COMPANY IS A HOLDING OR SUBSIDIARY COMPANY Company's own accounts

- 59 Where a company is a holding company or a subsidiary of another body corporate and any item required by Part I of this Schedule to be shown in the company's balance sheet in relation to group companies includes—
- (a) amounts attributable to dealings with or interests in any holding company or fellow subsidiary of the company; or
 - (b) amounts attributable to dealings with or interests in any subsidiary of the company ;

the aggregate amounts within paragraphs (a) and (b) respectively shall be shown as separate items, either by way of subdivision of the relevant item in the balance sheet or in a note to the company's accounts.

- 60 (1) Subject to the following sub-paragraph, where the company is a holding company, the number, description and amount of the shares in and debentures of the company held by its subsidiaries or their nominees shall be disclosed in a note to the company's accounts.
- (2) Sub-paragraph (1) does not apply in relation to any shares or debentures—
- (a) in the case of which the subsidiary is concerned as personal representative; or
 - (b) in the case of which it is concerned as trustee ;

provided that in the latter case neither the company nor any subsidiary of the company is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money. Schedule 2 to this Act has effect for the interpretation of the reference in this sub-paragraph to a beneficial interest under a trust.

Consolidated accounts of holding company and subsidiaries

- 61 Subject to paragraphs 63 and 66, the consolidated balance sheet and profit and loss account shall combine the information contained in the separate balance sheets and profit and loss accounts of the holding company and of the subsidiaries dealt with by the consolidated accounts, but with such adjustments (if any) as the directors of the holding company think necessary.
- 62 Subject to paragraphs 63 to 66, and to Part V of this Schedule, the consolidated accounts shall, in giving the information required by paragraph 61, comply so far as practicable with the requirements of this Schedule and with the other requirements of this Act as if they were the accounts of an actual company.
- 63 The following provisions of this Act, namely—
- (a) section 231 as applying Schedule 5, but only Parts II, III, V and VI of that Schedule, and

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(b) sections 232 to 234 and Schedule 6, so far as relating to accounts other than group accounts,

do not, by virtue of paragraphs 61 and 62, apply for the purposes of the consolidated accounts.

64 Paragraph 62 is without prejudice to any requirement of this Act which applies (otherwise than by virtue of paragraph 61 or 62) to group accounts.

65 (1) Notwithstanding paragraph 62, the consolidated accounts prepared by a holding company may deal with an investment of any member of the group in the shares of any other body corporate by way of the equity method of accounting in any case where it appears to the directors of the holding company that that body corporate is so closely associated with any member of the group as to justify the use of that method in dealing with investments by that or any other member of the group in the shares of that body corporate.

(2) In this paragraph, references to the group, in relation to consolidated accounts prepared by a holding company, are references to the holding company and the subsidiaries dealt with by the accounts.

66 Notwithstanding paragraphs 61 and 62, paragraphs 17 to 19 and 21 do not apply to any amount shown in the consolidated balance sheet in respect of goodwill arising on consolidation.

67 In relation to any subsidiaries of the holding company not dealt with by the consolidated accounts paragraphs 59 and 60 apply for the purpose of those accounts as if those accounts were the accounts of an actual company of which they were subsidiaries.

Group accounts not prepared as consolidated accounts

68 Group accounts which are not prepared as consolidated accounts, together with any notes to those accounts, shall give the same or equivalent information as that required to be given by consolidated accounts by virtue of paragraphs 61 to 67.

Provisions of general application

69 (1) This paragraph applies where the company is a holding company and either—
(a) does not prepare group accounts ; or
(b) prepares group accounts which do not deal with one or more of its subsidiaries;

and references below in this paragraph to the company's subsidiaries shall be read in a case within paragraph (b) as references to such of the company's subsidiaries as are excluded from the group accounts.

(2) Subject to the following provisions of this paragraph—

- (a) the reasons why the subsidiaries are not dealt with in group accounts; and
- (b) a statement showing any qualifications contained in the reports of the auditors of the subsidiaries on their accounts for their respective financial years ending with or during the financial year of the company, and any note or saving contained in those, accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification, in so far as the matter which is the subject of the qualification or note is not covered by the company's own accounts and is material from the point of view of its members,

shall be given in a note to the company's accounts.

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- (3) Subject to the following provisions of this paragraph, the aggregate amount of the total investment of the holding company in the shares of the subsidiaries shall be stated in a note to the company's accounts by way of the equity method of valuation.
- (4) Sub-paragraph (3) does not apply where the company is a wholly-owned subsidiary of another body corporate incorporated in Great Britain if there is included in a note to the company's accounts a statement that in the opinion of the directors of the company the aggregate value of the assets of the company consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from, the company's subsidiaries is not less than the aggregate of the amounts at which those assets are stated or included in the company's balance sheet.
- (5) In so far as information required by any of the preceding provisions of this paragraph to be stated in a note to the company's accounts is not obtainable, a statement to that effect shall be given instead in a note to those accounts.
- (6) The Secretary of State may, on the application or with the consent of the company's directors, direct that in relation to any subsidiary sub-paragraphs (2) and (3) shall not apply, or shall apply only to such extent as may be provided by the direction.
- (7) Where in any case within sub-paragraph (1)(b) the group accounts are consolidated accounts, references above in this paragraph to the company's accounts and the company's balance sheet respectively shall be read as references to the consolidated accounts and the consolidated balance sheet.

- 70 Where a company has subsidiaries whose financial years did not end with that of the company, the following information shall be given in relation to each such subsidiary (whether or not dealt with in any group accounts prepared by the company) by way of a note to the company's accounts or (where group accounts are prepared) to the group accounts, that is to say—
- (a) the reasons why the company's directors consider that the subsidiaries' financial years should not end with that of the company; and
 - (b) the dates on which the subsidiaries' financial years ending last before that of the company respectively ended or the earliest and latest of those dates.

PART V

SPECIAL PROVISIONS WHERE THE COMPANY IS AN INVESTMENT COMPANY

- 71 (1) Paragraph 34 does not apply to the amount of any profit or loss arising from a determination of the value of any investments of an investment company on any basis mentioned in paragraph 31(3).
- (2) Any provisions made by virtue of paragraph 19(1) or (2) in the case of an investment company in respect of any fixed asset investments need not be charged to the company's profit and loss account provided they are either—
- (a) charged against any reserve account to which any amount excluded by sub-paragraph (1) from the requirements of paragraph 34 has been credited ; or
 - (b) shown as a separate item in the company's balance sheet under the sub-heading " other reserves ".
- (3) For the purposes of this paragraph, as it applies in relation to any company, "fixed asset investment" means any asset falling to be included under any item shown in

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the company's balance sheet under the subdivision " investments " under the general item " fixed assets ".

- 72 (1) Any distribution made by an investment company which reduces the amount of its net assets to less than the aggregate of its called-up share capital and undistributable reserves shall be disclosed in a note to the company's accounts.
- (2) For purposes of this paragraph, a company's net assets are the aggregate of its assets less the aggregate of its liabilities (including any provision for liabilities or charges within paragraph 89); and " undistributable reserves" has the meaning given by section 264 (3) of this Act.
- 73 A company shall be treated as an investment company for the purposes of this Part of this Schedule in relation to any financial year of the company if—
- (a) during the whole of that year it was an investment company as defined by section 266 of this Act, and
 - (b) it was not at any time during that year prohibited under section 265(4) of this Act (no distribution where capital profits have been distributed, etc.) from making a distribution by virtue of that section.
- 74 Where a company entitled to the benefit of any provision contained in this Part of this Schedule is a holding company, the reference in paragraph 62 to consolidated accounts complying with the requirements of this Act shall, in relation to consolidated accounts of that company, be construed as referring to those requirements in so far only—
- (a) as they apply to the individual accounts of that company; and
 - (b) as they apply otherwise than by virtue of paragraphs 61 and 62 to any group accounts prepared by that company.

PART VI

SPECIAL PROVISIONS WHERE THE COMPANY HAS ENTERED INTO ARRANGEMENTS SUBJECT TO MERGER RELIEF

- 75 (1) Where during the financial year the company has allotted shares in consideration for the issue, transfer or cancellation of shares in another body corporate (" the other company ") in circumstances where by virtue of section 131(2) of this Act (merger relief) section 130 did not apply to the premiums on those shares, the following information shall be given by way of a note to the company's accounts—
- (a) the name of the other company ;
 - (b) the number, nominal value and class of shares so allotted ;
 - (c) the number, nominal value and class of shares in the other company so issued, transferred or cancelled ;
 - (d) particulars of the accounting treatment adopted in the company's accounts (including any group accounts) in respect of such issue, transfer or cancellation ; and
 - (e) where the company prepares group accounts, particulars of the extent to which and manner in which the profit or loss for the year of the group which appears in those accounts is affected by any profit or loss of the other company or any of its subsidiaries which arose at any time before the allotment.

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- (2) Where the company has during the financial year or during either of the two financial years immediately preceding it made such an allotment of shares as is mentioned in sub-paragraph (1) above and there is included in the company's consolidated profit and loss account or, if it has no such account, in its individual profit and loss account, any profit or loss (or part thereof) to which this sub-paragraph applies then the net amount of any such profit or loss (or part thereof) shall be shown in a note to the accounts together with an explanation of the transactions to which that information relates.
- (3) Sub-paragraph (2) applies—
- (a) to any profit or loss realised during the financial year by the company, or any of its subsidiaries, on the disposal of any shares in the other company or of any assets which were fixed assets of the other company, or of any of its subsidiaries, at the time of the allotment; and
 - (b) to any part of any profit or loss realised during the financial year by the company, or any of its subsidiaries, on the disposal of any shares (not being shares in the other company), which was attributable to the fact that at the time of the disposal there were amongst the assets of the company which issued those shares, or any of its subsidiaries, such shares or assets as are described in sub-paragraph (a) above.
- (4) Where in pursuance of the arrangement in question shares are allotted on different dates, the time of allotment for the purposes of sub-paragraphs (1)(e) and (3)(a) above is taken to be—
- (a) if the other company becomes a subsidiary of the company as a result of the arrangement—
 - (i) if the arrangement becomes binding only upon the fulfilment of a condition, the date on which that condition is fulfilled, and
 - (ii) in any other case, the date on which the other company becomes a subsidiary of the company ;
 - (b) if the other company is a subsidiary of the company when the arrangement is proposed, the date of the first allotment pursuant to that arrangement.

PART VII

INTERPRETATION OF SCHEDULE

- 76 The following paragraphs apply for the purposes of this Schedule and its interpretation.

Assets: fixed or current

- 77 Assets of a company are taken to be fixed assets if they are intended for use on a continuing basis in the company's activities, and any assets not intended for such use shall be taken to be current assets.

Balance sheet date

- 78 " Balance sheet date ", in relation to a balance sheet, means the date as at which the balance sheet was prepared.

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Capitalisation

- 79 References to capitalising any work or costs are to treating that work or those costs as a fixed asset.

Fellow subsidiary

- 80 A body corporate is treated as a fellow subsidiary of another body corporate if both are subsidiaries of the same body corporate but neither is the other's.

Group companies

- 81 "Group company", in relation to any company, means any body corporate which is that company's subsidiary or holding company, or a subsidiary of that company's holding company.

Historical cost accounting rules

- 82 References to the historical cost accounting rules shall be read in accordance with paragraph 29.

Leases

- 83 (1) "Long lease" means a lease in the case of which the portion of the term for which it was granted remaining unexpired at the end of the financial year is not less than 50 years.
- (2) " Short lease " means a lease which is not a long lease.
- (3) " Lease " includes an agreement for a lease.

Listed investments

- 84 " Listed investment" means an investment as respects which there has been granted a listing on a recognised stock exchange, or on any stock exchange of repute (other than a recognised stock exchange) outside Great Britain.

Loans

- 85 A loan is treated as falling due for repayment, and an instalment of a loan is treated as falling due for payment, on the earliest date on which the lender could require repayment or (as the case may be) payment, if he exercised all options and rights available to him.

Materiality

- 86 Amounts which in the particular context of any provision of this Schedule are not material may be disregarded for the purposes of that provision.

Notes to the accounts

- 87 Notes to a company's accounts may be contained in the accounts or in a separate document annexed to the accounts.

Provisions

- 88 (1) References to provisions for depreciation or diminution in value of assets are to any amount written off by way of providing for depreciation or diminution in value of assets.
- (2) Any reference in the profit and loss account formats set out in Part I of this Schedule to the depreciation of, or amounts written off, assets of any description is to any provision for depreciation or diminution in value of assets of that description.
- 89 References to provisions for liabilities or charges are to any amount retained as reasonably necessary for the purpose of providing for any liability or loss which is either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which it will arise.

Purchase price

- 90 References (however expressed) to the purchase price of any asset of a company or of any raw materials or consumables used in the production of any such asset include any consideration (whether in cash or otherwise) given by the company in respect of that asset or in respect of those materials or consumables (as the case may require).

Realised profits

- 91 Without prejudice to—
- (a) the construction of any other expression (where appropriate) by reference to accepted accounting principles or practice, or
 - (b) any specific provision for the treatment of profits of any description as realised,
- it is hereby declared for the avoidance of doubt that references in this Schedule to realised profits, in relation to a company's accounts, are to such profits of the company as fall to be treated as realised profits for the purposes of those accounts in accordance with principles generally accepted with respect to the determination for accounting purposes of realised profits at the time when those accounts are prepared.

Related companies

- 92 (1) " Related company ", in relation to any company, means any body corporate (other than one which is a group company in relation to that company) in which that company holds on a long-term basis a qualifying capital interest for the purpose of securing a contribution to that company's own activities by the exercise of any control or influence arising from that interest.
- (2) In this paragraph " qualifying capital interest" means, in relation to any body corporate, an interest in shares comprised in the equity share capital of that body corporate of a class carrying rights to vote in all circumstances at general meetings of that body corporate.
- (3) Where—
- (a) a company holds a qualifying capital interest in a body corporate; and
 - (b) the nominal value of any relevant shares in that body corporate held by that company is equal to twenty per cent, or more of the nominal value of all relevant shares in that body corporate ;

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it shall be presumed to hold that interest on the basis and for the purpose mentioned in sub-paragraph (1), unless the contrary is shown.

In this sub-paragraph "relevant shares" means, in relation to any body corporate, any such shares in that body corporate as are mentioned in sub-paragraph (2).

Scots land tenure

- 93 In the application of this Schedule to Scotland, "land of freehold tenure" means land in respect of which the company is the proprietor of the dominium utile or, in the case of land not held on feudal tenure, is the owner ; "land of leasehold tenure" means land of which the company is the tenant under a lease ; and the reference to ground-rents, rates and other outgoings includes feu-duty and ground annual.

Staff costs

- 94 (1) "Social security costs" means any contributions by the company to any state social security or pension scheme, fund or arrangement.
- (2) "Pension costs" includes any other contributions by the company for the purposes of any pension scheme established for the purpose of providing pensions for persons employed by the company, any sums set aside for that purpose and any amounts paid by the company in respect of pensions without first being so set aside.
- (3) Any amount stated in respect of either of the above items or in respect of the item "wages and salaries" in the company's profit and loss account shall be determined by reference to payments made or costs incurred in respect of all persons employed by the company during the financial year who are taken into account in determining the relevant annual number for the purposes of paragraph 56(1)(a).

Turnover

- 95 "Turnover", in relation to a company, means the amounts derived from the provision of goods and services falling within the company's ordinary activities, after deduction of—
- (a) trade discounts,
 - (b) value added tax, and
 - (c) any other taxes based on the amounts so derived.